

Schedule 13
Change Request for FY 08-09 Budget Request Cycle

Request Title: Decision Item FY 08-09 ☐ Base Reduction Item FY 08-09 ☐ Supplemental FY 07-08 ☐ Budget Request Amendment FY 08-09 ☒
 Department: FY 2007 Foster Care Performance Audit Recommendations and Fatality Review Projects
 Priority Number: SBA-7 Dept. Approval by: *Rogers* Date: 2/12/08
 OSPB Approval: *[Signature]* Date: 2/15/08

		1	2	3	4	5	6	7	8	9	10
	Fund	Prior-Year Actual FY 06-07	Appropriation FY 07-08	Supplemental Request FY 07-08	Total Revised Request FY 07-08	Base Request FY 08-09	Decision/ Base Reduction FY 08-09	November 1 Request FY 08-09	Budget Amendment FY 08-09	Total Revised Request FY 08-09	Change from Base (Column 5) FY 09-10
Total of All Line Items	Total	2,408,349	2,350,900	0	2,350,900	2,571,313	0	2,571,313	105,000	2,676,313	0
	FTE	0.0	26.0	0.0	26.0	26.0	0.0	26.0	0.0	26.0	0.0
	GF	1,558,510	1,538,950	0	1,538,950	1,682,219	0	1,682,219	105,000	1,787,219	0
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	0	0	0	0	0	0	0	0	0
	CFE	128,349	127,485	0	127,485	138,506	0	138,506	0	138,506	0
	FF	721,490	684,465	0	684,465	750,588	0	750,588	0	750,588	0
	MCF	128,349	127,485	0	127,485	138,506	0	138,506	0	138,506	0
	MGF	64,175	63,743	0	63,743	69,255	0	69,255	0	69,255	0
	NGF	1,622,685	1,602,693	0	1,602,693	1,751,474	0	1,751,474	105,000	1,856,474	0
(5) DIVISION OF CHILD WELFARE Administration	Total	2,408,349	2,350,900	0	2,350,900	2,571,313	0	2,571,313	105,000	2,676,313	0
	FTE	0.0	26.0	0.0	26.0	26.0	0.0	26.0	0.0	26.0	0.0
	GF	1,558,510	1,538,950	0	1,538,950	1,682,219	0	1,682,219	105,000	1,787,219	0
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	0	0	0	0	0	0	0	0	0
	CFE	128,349	127,485	0	127,485	138,506	0	138,506	0	138,506	0
	FF	721,490	684,465	0	684,465	750,588	0	750,588	0	750,588	0
	MCF	128,349	127,485	0	127,485	138,506	0	138,506	0	138,506	0
	MGF	64,175	63,743	0	63,743	69,255	0	69,255	0	69,255	0
	NGF	1,622,685	1,602,693	0	1,602,693	1,751,474	0	1,751,474	105,000	1,856,474	0

Letternote revised text:

Cash Fund name/number, Federal Fund Grant name:

IT Request: ☐ Yes ☒ No

Request Affects Other Departments: ☐ Yes ☒ No

If Yes, List Other Departments Here:

CHANGE REQUEST for FY 08-09 BUDGET REQUEST CYCLE

Department:	Human Services
Priority Number:	SBA 7
Change Request Title:	FY 2007 Foster Care Performance Audit Recommendations and Fatality Review Projects

SELECT ONE (click on box):

- ☐ Decision Item FY 08-09
☐ Base Reduction Item FY 08-09
☐ Supplemental Request FY 07-08
☒ Budget Request Amendment FY 08-09

SELECT ONE (click on box):

Supplemental or Budget Request Amendment Criterion:

- ☐ Not a Supplemental or Budget Request Amendment
☐ An emergency
☐ A technical error which has a substantial effect on the operation of the program
☒ New data resulting in substantial changes in funding needs
☐ Unforeseen contingency such as a significant workload change

Short Summary of Request:

This request for **\$105,000** in funding is to address issues and concerns identified in the 2007 Foster Care Financial Activities Performance Audit. To address the issues from the audit in a timely and efficient manner, the Department is requesting funding to:

- 1) Research and determine fair and reasonable base anchor rates for the Child Placement Agencies, Residential Child Care Facilities and county foster care providers costing approximately **\$75,000**.
- 2) Locate, obtain, evaluate, and implement a standardized validated level-of-care assessment tool to be used by the counties to determine specialized needs of children in foster care placements for **\$30,000**;

Background and Appropriation History:

Based on the findings of the 2007 Foster Care Performance Audit and concerns related to recent child fatalities within the state, the Department is requesting funding in the following areas:

- 1) Foster care rates analysis – Audit recommendations to the Department regarding provider rates for Child Placement Agencies and county providers were made on behalf of the Legislative Audit Committee in the Foster Care Financial Activities, Performance Audit report, dated September 25, 2007.

The auditors recommended that the Department improve accountability for child welfare expenditures and foster care rates to ensure funds are used cost-effectively by:

- a. analyzing the foster care rates being paid to providers,
- b. revising the formula for setting base administrative maintenance and administrative services,
- c. improving supervision and oversight of the counties rate-setting and negotiating process, and,
- d. identifying and considering implementing alternative rate-setting methodologies.

The Department is engaged within available resources in researching and considering benchmarks for these alternatives. However, the Department lacks adequate staffing and expertise in the area of rate setting to dedicate to these activities. Any workload related to these activities has to be absorbed by existing staff, thus diverting them from their own job responsibilities. The ability by the Department to adequately implement these recommendations is inefficient and cannot be done in a means that is timely without compromising necessary functions of the positions conducting the work. Many states have dedicated units of staff proficient with rate setting skills to perform rate-setting and rate oversight functions. Colorado does not have these resources in place and the Department is concerned that the lack of rate setting knowledge will result in new and different problems and concerns with any alternate rate structure implemented.

The Department agrees with the auditors that alternative formulas or methodologies for determining base anchor rates for Child Placement Agencies and their foster care

home providers and for county foster homes need to be explored. Analysis of rates would provide valuable information to the Department and counties that could lead to more effective use of public funds and assist with retention of provider resources by assuring adequate reimbursement for services provided. However, the workload to conduct a thorough and timely rate study would require more resources and rate-setting expertise than the Department has available.

- 2) Level of care assessment tool standardization and validation – Another recommendation of the Foster Care Financial Activities Performance Audit, was that the Department should work with counties to develop and implement a validated, statewide level-of-care assessment tool. The Department agreed to work with counties to explore whether there are validated level of care tools nationally that could be adapted to Colorado's system to assist counties in identification of children's needs and determining appropriate provider rates based on those in need determined by the tool. If validated tools do not exist, then the Department agrees to work with counties within existing resources to use a standardized tool statewide.
- 3) Organizational assessment of the Child Welfare Services Division – The Department has determined that an organizational assessment of the Child Welfare Services Division is necessary to determine the effective use of available resources and potential need for additional resources to adequately carry out the responsibilities of supervision of county departments of human services child welfare programs. The 2007 Foster Care Performance Audit and the child fatalities have highlighted the need to assure that the Department is implementing federal and state Child Welfare requirements and providing adequate oversight to counties. An organizational assessment of the Division would assist in determining areas of improvement that could be addressed through a structural reorganization of the Division and determine if changes to policy and procedures would improve Division performance.

In January 2008, the Organization assessment was recommended for \$100,000. The Division anticipates the Organization Assessment to begin April 2008 with an estimated completion date of September 2008.

General Description of Request:

- 1) Foster care rate analysis - There has been a growing concern both at the local and national level regarding the adequacy of the substitute care services foster care children receive. This has developed into additional program and fiscal scrutiny. Substitute care providers at the local level complain that the per diem rates paid do not adequately cover their costs. In a recent study on the adequacy of foster care rates conducted by the University of Maryland, Colorado ranked 6th lowest in the nation with regard to the base anchor rates, paying only 52% of the national average costs to care for healthy foster children. The study did not include rates negotiated by counties.

To determine the appropriate reimbursement for foster care provider and costs federally claimed for that care, we propose the need for a rate study that addresses the following questions:

- Are the rates currently paid to foster family home care providers, Child Placement Agencies and Residential Child Care Facilities adequate to care for the children?
- Are the rates paid fair and equitable to the counties and providers?
- How do the results of the care received compare to national averages? (i.e. Length of stay; step ups and step downs in care level; permanencies)
- Are both federal and state foster care rules followed when making payments?

Elements of the study would include:

- Utilize data collection tool from our child welfare system (Trails) to determine actual rates being paid by type of care and child's age; lengths of stay by placement type; time in foster care; and, permanencies by type (adoption, guardianship, reunification, and emancipation). This data would be compared to national data and cost information (i.e. calculations by USDA for cost of raising a child).
- Obtain program costs information from CPAs and Residential Child Care facilities to determine the adequacy of our rates to cover their costs; average costs

- incurred by type of care; and, portion of costs that can be federally claimed compared to the costs actually claimed.
 - A review of how costs are being paid and federally claimed county by county.
 - Create a tool for implementing rate structure.
 - A final report consisting of all findings and recommendations to address them.
- 2) Development of Standardized Level of Care Instrument – Currently; there is NOT a standardized, validated level-of-care document that is used by all counties and providers. Necessary elements for the development of a standardized Level of Care Instrument would be:
- Interview with all counties to determine current level of care document usage as well as each county's perceived content need for a master document.
 - Work-study group involving State staff, counties and providers to determine content required within new level-of-care document
 - National research (other states) to determine usage of level of care instrument
 - Development and implementation of single standardized, validated (State approved) Level-of-Care Instrument.

Consequences if Not Funded:

If the above requests are not funded, the Colorado Department of Human Services would not be able to effectively meet the change requirements of the 2007 Foster Care Performance Audit and assist in implementing appropriate rates for efficient use of public funds.

Calculations for Request:

Summary of Request FY 2008-09	Total Funds	General Fund	Cash Funds	Cash Funds Exempt	Federal Funds	Medicaid Cash Funds	Medicaid General Funds	Net General Fund	FTE
Total Request	\$105,000	\$105,000	\$0	\$0	\$0	\$0	\$0	\$105,000	0.0

Assumptions for Calculations:

Estimates of costs were requested from several vendors to determine potential costs of the following projects.

- 1) Foster care rates analysis: The Department proposes that a contractor with the appropriate skills and resources conduct the study to help assure the study can be completed timely and successfully. The cost would be approximately **\$75,000** and take three to four months to complete. The estimate is broken out as follows.

Analysis: Rate per hour \$250 x 160 hours = \$40,000

Report Development: Rate per hours \$250 x 60 hours = \$15,000

Training Staff: Rate per hour \$150 x 100 hours = \$15,000

Site Costs (6 sites): \$5,000

Total = \$75,000

- 2) Implement Level of Care Instrument: It is anticipated that this project will require approximately three months and cost approximately **\$30,000** for:
- Nationwide Search for a Validated Tool:
 - Contact State Child Welfare Administrators, Collect available tools, instructions and all evaluations of each tool's efficacy.
 - 40 hours @ \$125 per hour = \$5,000
 - Analysis of tools:
 - Develop review guidelines to apply against each tool.
 - 16 hours @ \$125 per hour = \$2,000
 - Coordination of State and County selection:
 - Prepare meeting materials. Facilitate meetings with State and County staff.
 - 24 hours @ \$125 per hour = \$3,000
 - Statewide training and implementation:
 - Prepare training materials on consistent application of level-of-care instrument, conduct train the trainer meetings, and develop method to evaluate statewide implementation.
 - 140 hours @ \$125 per hour = \$17,500 for training.
 - Travel expenses \$2,500.

Impact on Other Government Agencies:

Improvements made through the proposed funding requests benefit county departments of human services by creating efficient use of resources and improved oversight of county child welfare programs.

Cost Benefit Analysis:

This improved assessment and oversight will serve to promote compliance with Title IV-E Program requirements and Child and Family Services Review requirements and compliance with potential program improvement plan that could result from the June 2008 review.

Compliance Benefit	Amounts
Cost of Projects	\$105,000
If Title IV-E is sanctioned, a portion of the Title IV-E earnings for administrative cost at risk is 10% of the States administrative earnings.	\$4,650,878*
Net benefit by averting Title IV-E sanctions for non-compliance.	\$4,545,878

* Amount is based on FY 2007 earnings.

Implementation Schedule:

The Division anticipates the Organization Assessment to begin April 2008 with an estimated completion date of September 2008.

Task	Month/Year
Foster Care Rate Assessment	August – November 2008
Level of Care Instrument Assessment	August – November 2008

Statutory and Federal Authority:

Section 26-5-104 C.R.S. (2007) Funding of child welfare services - rules.

(6) **County negotiations with providers.** (a) Subject to rules promulgated by the state department pursuant to paragraph (b) of this subsection (6), a county shall be authorized to negotiate rates, services, and outcomes with providers if the county has a request for proposal process in effect for soliciting bids from providers or another

mechanism for evaluating the rates, services, and outcomes that it is negotiating with such providers that is acceptable to the state department.

(b) No later than January 1, 2008, the state department shall promulgate rules governing the methodology by which counties may negotiate rates, services, and outcomes with licensed providers.

(c) A county that negotiates or renegotiates rates, services, and outcomes pursuant to paragraph (a) of this subsection (6) shall include as part of such negotiations or renegotiations cost of living adjustments and provider rate increases approved by the general assembly.

(d) By July 1, 2008, and by July 1 of each even-numbered year thereafter, the state department shall complete a review of the methodology by which counties negotiate rates, services, and outcomes with licensed providers, which methodology is governed by rules promulgated by the state department pursuant to paragraph (b) of this subsection (6). In preparing for and conducting the review, the state department shall invite and accept the participation of representatives of the counties and the provider community.

(6.5) The state department shall analyze and evaluate expenditures as reported by child placement agencies each year and compare such expenditures to county expenditures for the provision of foster care services. The state department shall provide, at least on an annual basis, such analyses and comparisons to county departments.

Performance Measures:

Program	Performance Measure	Outcome	FY 2005-06	FY 2006-07
			Actual	Actual
Child Welfare Services	Children are first and foremost protected from abuse and neglect. For children who were victims of substantiated or indicated abuse or neglect, the percentage of children that do not experience another incident of abuse or neglect within the following 6-month period, shall exceed the national standard of 94.6%.	Benchmark	94.60%	94.60%
		Actual	96.24%	95.80%

Program	Performance Measure	Outcome	FY 2005-06	FY 2006-07
			Actual	Actual
Child Welfare Services	Children have permanency and stability in their living situations. The percentage of children that are reunified with their parents or caretakers when discharged from foster care within 12 months will exceed the national standard of 76.2%.	National Benchmark	76.20%	76.20%
		Actual	80.00%	77.20%